



Washington Council Ernst & Young

Energy & Climate Change Update

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Senate Energy Committee Holds Hearing on Draft Renewable Electricity Standard

Bingaman Says Both Senate, House Have Enough Votes to Pass a National RES

The Senate Energy and Natural Resources Committee hearing today (Tuesday, February 10) on a draft Renewable Electricity Standard (RES). Under the bill, as drafted by Chairman Jeff Bingaman (D-NM), the amount of the U.S. electricity supply coming from renewable energy sources would gradually increase – to 4 percent in 2011-12, 8 percent in 2013-15, 12 percent in 2016-18, 16 percent in 2019-20 and 20 percent in 2021-39. The standard would also allow companies and states to buy and sell renewable energy credits for production if they were below or above their required level.

Witnesses at the hearing were:

- Dr. Ralph Izzo, Public Enterprise Group
- Don Furman, Senior Vice President for Business Development, Transmission and Policy, Iberdrola Renewables Inc.
- David Wright, Commissioner, Representing SEARUC
- Scott Jones, Executive Vice President, Forest Landowners Association
- Dr. Lester Lave, Professor, Carnegie Mellon University

Testimony is available here: <http://tinyurl.com/bk7s6c>

Several contentious issues repeatedly arose during the hearing, such as potential cost increases to consumers and ratepayers from a RES and the disparities among the states when examining a national standard, specifically in the southeastern States.

Chairman Bingaman said the draft RES would reduce prices, reduce dependence on foreign oil, create a national green energy economy in the U.S., create thousands of jobs and reduce carbon emissions. "I think that the votes are present in the Senate to pass a renewable electricity standard. I think that they are present in the House," he said. "I think that we need to get on with figuring out what we can pass and move forward."

Ranking Republican Lisa Murkowski (R-AK) was not as optimistic. She said another hearing should be held with representatives from the Department of Energy (DOE) and the Federal Energy Regulatory Commission (FERC) in order to further examine how a national RES might be implemented and potential setbacks. "What about the costs? In this time of economic crisis, we can't be asking people to choose between something as basic as energy and putting food on the table," Murkowski said. "Additional non-carbon technologies should be included," she said, adding, "choosing specific technologies conflicts with the goals of... carbon reduction."

Murkowski questioned whether the goal is to reduce carbon emissions or to increase renewable utilization. She has concerns that a “one-size fits all” approach will lead to many regional disparities in certain states, especially the Southeast. Many states will have a difficult time reaching the goals outlined in the majority staff draft proposal. Another concern she has is that consumers will face higher prices and will have to choose between “energy and putting food on the table.”

Two of the witnesses, Dr. **Ralph Izzo** and **Don Furman**, offered strong support for a national RES policy. Izzo endorsed a strong national policy over a patchwork system that would lead to reducing costs through economies of scale, lead to new technologies and greater investment in alternative energy technology.

Furman outlined three main arguments for enacting a national RES: 1) It would lead to an improved economy. He cited a study by the Union for Concerned Scientists that concluded a national RES would create 185,000 new jobs and spur millions in new investment. Economies of scale would counter opponents’ arguments that a national RES would lead to higher prices for consumers and ratepayers. 2) Better national security, especially when looking at the national need for liquefied natural gas and the extent that much would need to be imported into the U.S. 3) A RES would protect the environment and reduce carbon emissions. Furman did express concern over the energy efficiency provisions included in the majority draft proposal. He believes energy efficiency measures should come first; otherwise it would lead to an “accounting nightmare.”

The other three witnesses were less positive about the proposal. **David Wright**, representing SEARUC, suggested Congress should follow the provision included in the Energy Policy Act of 2005, which tasked state public utility commissioners with implementing their own standards. Wright said the bill “fails to recognize that there are significant differences among the states in terms of available and cost-effective renewable energy resources, and that having such a standard in energy legislation will ultimately increase consumers’ electricity bills.” Wright said any standard should be based on what a state can reasonably achieve. He said a national RES would hit Southeastern consumers hard and that these are the same states that have historically higher unemployment and lower incomes. He added that renewable sources of energy, such as solar, have low capacity factors.

Scott Jones, with the Forest Landowners Association, noted that the draft proposal does not include a broad definition of woody biomass. He said 92 percent of forest lands would be excluded from the majority proposal as currently drafted. Use of woody biomass as a renewable energy source would provide new markets for private landowners who want to get more involved in renewable energy production. Jones said adding a new RES market to the existing markets RES would be beneficial, but that there currently isn’t enough market for the wood that is being grown and more incentives are necessary to keep traditional markets -- such as paper and pulp mills, sawmills and others -- others from continuing to move offshore. Including wood in the RES and separate legislation that promotes using woody biomass to meet U.S. energy needs is necessary, he said.

Lester Lave of Carnegie Mellon University said the draft RES is well thought out, but he recommended tightening the definition of efficiency and eliminating the limit on its contribution, which would permit regions with fewer renewable sources to meet the goals at a lower cost. Second, the legislation should focus on reducing CO2 emissions rather than singling out renewable sources as the answer. Lave said engineers and scientists, not policymakers, should decide what the winning technologies should be. Lave called for more R&D into bulk electricity storage, demo coal plants with carbon capture technologies, more nuclear power plants using new technology in order to assess costs and performance, and more funding of solar photovoltaics research.

Members’ Questions

- **Chairman Bingaman** asked if there be a carve-out for solar industries in the RES. Izzo said an RES should not have carve-outs, but perhaps states could use them.
- **Ranking Member Murkowski** raised concern that implementing a national RES would cause some companies and/or industry sectors to reduce carbon sequestration research and development, as well as investment in new technologies. She reiterated her concerns over state-by-state disparities and said valid arguments had been made for adding certain other energy sources to the RES.

- **Byron Dorgan** (D-ND) He expressed strong support for the RES proposal and said the draft does not conflict with free-market principles.
- **Bob Corker** (R-TN) questioned why the administration and the committee are moving so quickly on a proposal that is clearly going to divide the country. He said he is concerned that such a policy could be discriminatory toward certain states, saying an RES “creates a national subsidy” and an environment of transference of wealth from one part of the country to another. Corker said a cap-and-trade system may work better than a national RES.
- **Debbie Stabenow** (D-MI) said, “I want forests to be part of anything we do,” and appeared focused on the testimony of Mr. Jones with the Forest Landowners Association. She also mentioned that an RES would create jobs and is important to states with large manufacturing bases.
- **Robert Bennett** (R-UT) focused on the need for more nuclear power in the U.S. Several witnesses agreed that nuclear may need to be part of the country’s energy demand solutions.
- **Evan Bayh** (D-IN) raised some concern over the possibility that a national RES could lead to higher costs for ratepayers, which he essentially called a tax increase. He is concerned about the impact on Indiana consumers.
- **John Barrasso** (R-WY) argued that a national RES is impractical, citing a recent *New York Times* article questioning the need and practicality of a national RES, such as the requirement for an additional 15,000 miles of transmission lines, which he believes would lead to 15,000 lawsuits (over land use and private property issues). He also expressed concern over possible prices. Several witnesses mentioned that increased transmission is necessary throughout the U.S. regardless of whether a national RES is implemented, saying the country currently lacks adequate transmission from coast to coast.
- **Richard Burr** (R-NC) said he was also concerned about costs increases to ratepayers. Cap-and-trade systems have not reduced carbon emissions much Europe, but a lot of money has changed hands, he said. He advocated using more nuclear power and reprocessed spent fuel rods.
- **Mary Landrieu** (D-LA) said there would be significant challenges with wind as a source of renewable energy: “It takes 1,500 giant windmills to equal 1 nuclear power plant.” Landrieu said she is concerned about higher rates and a lack of regional choices. She appeared to agree that a broader definition of wood biomass is needed and perhaps should be part of the solution.
- **Maria Cantwell** (D-WA) said she was concerned about the rising price of natural gas and the need for a national RES in order to reduce the cost of natural gas to farmers, businesses, and consumers. She said the committee should consider adding into the RES the ability to provide low-interest capital to assist various entities with implementation of the standard.
- **Jeanne Shaheen** (D-NH) said a national RES should apply to ALL stakeholders, such as municipal co-ops, municipalities and utility companies.
- **Blanche Lincoln** (D-AR) said she was concerned that hydropower was excluded from the base amount in the draft RES proposal. Hydropower is too often left out of the discussion, which leads to less investment in repairs and new projects, she said. She questioned whether any goals under a RES could be reached without the use of woody biomass.

If you have questions, or need additional information, please feel free to contact anyone at Washington Council Ernst & Young at (202) 293-7474.